GOVERNMENT OF INDIA
PETROLEUM AND NATURAL GAS
LOK SABHA

STARRED QUESTION NO:72
ANSWERED ON:18.07.2002
INVESTMENTS BY RETAILING OIL DEALERS
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Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state:

(a) whether applicants for retailing oil are required to furnish proof that they can invest Rs. 2000 crore over 10 years in `non-market` operations ;

(b) if so, the manner in which entrepreneurs with smaller capital capacity be able to fulfil technical and safety guidelines of oil retailing and allowed to set up shops in the country ; (

(c) the terms and conditions laid down for private investors ; and

(d) the steps proposed to be taken to attract the smaller investors in this regard ?

Answer

MINISTER OF PETROLEUM & NATURAL GAS (SHRI RAM NAIK)

(a) to (d) : A statement is laid on the Table of the House.

STATEMENT REFERRED TO IN REPLY TO PARTS (a) TO (d) OF THE LOK SABHA STARRED QUESTION NO. 72 T
ANSWERED ON 18TH JULY, 2002 REGARDING INVESTMENTS BY RETAILING OIL DEALERS.

(a) to (d): The Government have issued guidelines for granting authorisation to market transportation fuels to the new entrants including the private sector, which inter-alia include:-

(i) the companies investing or proposing to invest Rs. 2,000 crore in exploration and production (E&P), refining, pipelines or terminals may be granted authorization to market transportation fuels;

(ii) the eligible investment would be in setting up new refineries, expansion of the existing refineries, exploration and production of hydrocarbons including coal bed methane and associated facilities like crude oil/natural gas pipelines and processing plants, terminals for crude oil/LNG, common carrier natural gas/petroleum products/LPGpipelines, and investments in these activities for setting up additional assets for improvement of product quality to meet environmentally related norms;

(iii) the investment should result in additionality to the existing assets and/or creation of new assets in the eligible activities;

(iv) in case of companies proposing to invest, a bank guarantee of Rs. 500 crore will be obtained. Further, the time frame for making investment would be 10 years including 5 years earmarked for financial closure. The investor would be required to sign an agreement containing conditions and milestones with the Government / Regulatory Board;

(v) every eligible company would get only one authorization and it will not be transferable without permission of the Government. The applicant will be required to submit a scheme for marketing to the Government or the Regulatory Board and while granting authorization, the latter may impose conditions in public interest including the obligation to set up retail outlets in remote areas and low service areas and that the eligible company will not encroach upon the retail networks of existing marketing companies.

2. The investment conditionality of Rs. 2,000 crore is to attract investment in the crucial sectors like E&P, refining, natural gas/LNG infrastructure by the new entrants for entering into oil retail business to create the necessary infrastructure and to maintain oil security in the country.